

ST. JAMES TOWNSHIP
CHARLEVOIX COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

St. James Township

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St. James Township

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 27, 2008

Members of the Township Board
St James Township
Beaver Island, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of St James Township of Charlevoix County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of St James Township as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, on pages 3 through 8 and 31 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise St James Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mason & Kammermann PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.
Certified Public Accountants

St. James Township

Management's Discussion & Analysis June 27, 2008

This section of St. James Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). St. James Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of St. James Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of St. James Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the full accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. St. James Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. St. James Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

St. James Township

Management's Discussion & Analysis June 27, 2008

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

St. James Township maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road and Fire Funds. The Liquor Fund and Debt Service Fund are considered nonmajor funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

Proprietary Funds

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the sewer operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

St. James Township

Management's Discussion & Analysis June 27, 2008

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of March 31, 2008 and 2006:

Net Assets March 31, 2008 and 2006						
	Governmental Activities		Business-Type Activities		Total	
	2008	2006	2008	2006	2008	2006
<u>Assets</u>						
Current assets	\$ 476,264	\$ 396,543	\$ 51,335	\$ 33,324	\$ 527,599	\$ 429,867
Noncurrent assets	1,723,320	1,644,412	838,378	901,864	2,561,698	2,546,276
Total assets	2,199,584	2,040,955	889,713	935,188	3,089,297	2,976,143
<u>Liabilities and Net Assets</u>						
Current liabilities	78,575	58,991	-	-	78,575	58,991
Noncurrent liabilities	480,365	551,000	-	-	480,365	551,000
Total liabilities	558,940	609,991	-	-	558,940	609,991
Net assets:						
Invested in capital assets, net	1,173,005	1,038,412	838,378	901,864	2,011,383	1,940,276
Restricted	297,955	112,140	-	-	297,955	112,140
Unrestricted	169,684	280,412	51,335	33,324	221,019	313,736
Total net assets	<u>\$1,640,644</u>	<u>\$ 1,430,964</u>	<u>\$ 889,713</u>	<u>\$ 935,188</u>	<u>\$ 2,530,357</u>	<u>\$2,366,152</u>

The total net assets are \$2,530,357 for the Township. The township has \$169,684 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

St. James Township

Management's Discussion & Analysis June 27, 2008

The following table shows how activities affected changes in net assets during the fiscal years ended March 31, 2008 and 2006.

Change in Net Assets For the Years Ended March 31, 2008 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2008	2006	2008	2006	2008	2006
Revenues:						
Program Revenues						
Charges for services	\$ 8,897	\$ 6,861	\$ 60,230	\$ 63,654	\$ 69,127	\$ 70,515
Capital grants & contributions	95,668	33,878	-	29,989	95,668	63,867
General Revenues:						
Property taxes	302,585	224,087	-	-	302,585	224,087
Special assessment	43,275	30,134	-	-	43,275	30,134
Administrative fees	20,305	10,375	-	-	20,305	10,375
State shared revenues	28,860	29,176	-	-	28,860	29,176
Reimbursements	13,773	-	-	-	13,773	-
Interest	1,945	1,467	546	80	2,491	1,547
Other	983	12,994	2,223	2,700	3,206	15,694
Total Revenues	516,291	348,972	62,999	96,423	579,290	445,395
Expenses:						
Legislative	56,876	70,091	-	-	56,876	70,091
General government	125,295	115,980	-	-	125,295	115,980
Community/economic develop.	4,257	2,902	-	-	4,257	2,902
Public safety	120,072	81,715	-	-	120,072	81,715
Public works	29,359	27,840	112,233	111,294	141,592	139,134
Recreation and cultural	103,238	91,900	-	-	103,238	91,900
Interest on long-term debt	24,648	12,477	-	-	24,648	12,477
Total Expenses	463,745	402,905	112,233	111,294	575,978	514,199
Change in net assets	\$ 52,546	\$ (53,933)	\$ (49,234)	\$ (14,871)	\$ 3,312	\$ (68,804)

St. James Township

Management's Discussion & Analysis June 27, 2008

Revenue sources and changes

Total revenue from all sources totaled \$579,290, of which \$516,291 was from governmental activities and \$62,999 was from business-type activities. Revenue from governmental activities consists primarily of \$302,585 (59%) from property taxes, \$95,668 (19%) from operating grants and contributions, \$43,275 (8%) from special assessments, and \$28,860 (6%) from state shared revenues.

Expenses

Using the full accrual basis of accounting, the Township spent \$463,745 on governmental activities. This equates to 27.0% on general government, 25.9% on public safety, 22.3% on recreation and culture, 12.2% on legislative activities, 6.3% on public works, 5.3% on interest on long-term debt and 1.0% on community and economic development.

Business-type Activity Highlights

Business-type activities show a decrease in net assets of \$49,234 on revenues of \$62,999. Revenue for business-type activities consists primarily of \$60,230 (96%) from charges for services.

Financial Analysis of the Township's Funds

At March 31, 2008, the Township's governmental funds reported a combined cash of \$412,244 for governmental activities, which is approximately \$75,845 less than last year.

Revenues in the General Fund exceeded expenses by \$7,726.

The Fire Fund had a \$21,950 decrease in its fund balance this year. This was primarily due to capital outlay expenditures being higher than projected.

The Road Fund had a \$68,084 increase in its fund balance for the year. This was mainly due to road improvement expenses being less than anticipated.

The nonmajor funds had a \$35,275 decrease in their collective fund balance.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on March 31.

St. James Township

Management's Discussion & Analysis June 27, 2008

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ 320,575	\$ 320,575	\$ 292,999	\$ (27,576)
Total Expenditures	242,856	242,856	285,273	(42,417)
Net Change in Fund Balance	<u>\$ 77,719</u>	<u>\$ 77,719</u>	<u>\$ 7,726</u>	<u>\$ (69,993)</u>

There was no change in the Total Revenue Original Budget to the Final Budget.

Capital Assets

At fiscal year ended March 31, 2008, the Township has \$1,723,320 in governmental capital assets, net of accumulated depreciation. In agreement with Peaine Township, both townships spent a combined total of \$50,757 on jointly owned land and improvements, \$86,526 on jointly owned buildings and improvements, and \$91,641 in jointly owned equipment.

Likewise, the Township had \$838,378 in capital assets, net of accumulated depreciation for business-type activities.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and improvements, buildings and improvements, infrastructure and equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had \$550,315 of outstanding long-term debt for governmental activities as of March 31, 2008.

Requests for Information

This financial report is designed to provide a general overview of St. James Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact St. James Township, 37735 Michigan Ave, Beaver Island, MI 49782.

St. James Township

Statement of Net Assets March 31, 2008

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 412,244	\$ 44,776	\$ 457,020
Due from other funds	15	-	15
Accounts receivable	-	6,559	6,559
Taxes receivable	64,005	-	64,005
Total current assets	476,264	51,335	527,599
Noncurrent Assets			
Capital assets	2,649,381	994,733	3,644,114
Less accumulated depreciation	(926,061)	(156,355)	(1,082,416)
Total noncurrent assets	1,723,320	838,378	2,561,698
Total assets	2,199,584	889,713	3,089,297
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	3,863	-	3,863
Accrued payroll taxes	4,762	-	4,762
Current portion of long-term debt	69,950	-	69,950
Total current liabilities	78,575	-	78,575
Long-Term Liabilities			
Long-term debt, net current portion	480,365	-	480,365
Total liabilities	558,940	-	558,940
Net Assets			
Invested in capital assets, net of related debt	1,173,005	838,378	2,011,383
Restricted	297,955	-	297,955
Unrestricted	169,684	51,335	221,019
Total net assets	\$ 1,640,644	\$ 889,713	\$ 2,530,357

The accompanying notes are a part of the financial statements.

St. James Township

Statement of Activities For The Year Ended March 31, 2008

	Program Revenues				Net Revenue (Expense) and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Legislative	\$ 56,876	\$ -	\$ -	\$ -	\$ (56,876)	\$ -	\$ (56,876)
General government	125,295	5,748	51,519	-	(68,028)	-	(68,028)
Community and economic development	4,257	3,149	-	-	(1,108)	-	(1,108)
Public safety	120,072	-	44,149	-	(75,923)	-	(75,923)
Public works	29,359	-	-	-	(29,359)	-	(29,359)
Recreation and culture	103,238	-	-	-	(103,238)	-	(103,238)
Interest on long-term debt	24,648	-	-	-	(24,648)	-	(24,648)
Total Government Activities	463,745	8,897	95,668	-	(359,180)	-	(359,180)
Business-type Activities							
Yacht dock	98,403	51,067	-	-	-	(47,336)	(47,336)
Sewer	13,830	9,163	-	-	-	(4,667)	(4,667)
Total Business-Type Activities	112,233	60,230	-	-	-	(52,003)	(52,003)
Total Primary Government	<u>\$ 575,978</u>	<u>\$ 69,127</u>	<u>\$ 95,668</u>	<u>\$ -</u>	(359,180)	(52,003)	(411,183)
General Revenues:							
Taxes:							
Property taxes					302,585	-	302,585
Special assessment					43,275	-	43,275
Administrative fees					20,305	-	20,305
State shared revenues					28,860	-	28,860
Reimbursements					13,773	-	13,773
Interest					1,945	546	2,491
Other					983	2,223	3,206
Total general revenues					411,726	2,769	414,495
Change in Net Assets					52,546	(49,234)	3,312
Net Assets - April 1, 2007					1,588,098	938,947	2,527,045
Net Assets - March 31, 2008					<u>\$ 1,640,644</u>	<u>\$ 889,713</u>	<u>\$ 2,530,357</u>

The accompanying notes are a part of the financial statements.

St. James Township

Governmental Funds Balance Sheet March 31, 2008

<u>Assets</u>	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 151,734	\$ 133,595	\$ 99,834	\$ 27,081	\$ 412,244
Due from other funds	15	-	-	-	15
Taxes receivable	26,560	11,233	5,616	20,596	64,005
Total assets	<u>\$ 178,309</u>	<u>\$ 144,828</u>	<u>\$ 105,450</u>	<u>\$ 47,677</u>	<u>\$ 476,264</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 3,863	\$ -	\$ -	\$ -	\$ 3,863
Accrued payroll taxes	4,762	-	-	-	4,762
Total liabilities	8,625	-	-	-	8,625
Fund Balances:					
Unreserved	169,684	144,828	105,450	-	419,962
Unreserved, reported in nonmajor:					
Debt service	-	-	-	44,377	44,377
Liquor fund	-	-	-	3,300	3,300
Total fund balances	<u>169,684</u>	<u>144,828</u>	<u>105,450</u>	<u>47,677</u>	<u>467,639</u>
Total liabilities & fund balances	<u>\$ 178,309</u>	<u>\$ 144,828</u>	<u>\$ 105,450</u>	<u>\$ 47,677</u>	<u>\$ 476,264</u>

The accompanying notes are a part of the financial statements.

St. James Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds	\$	467,639
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Long term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet

Bonds payable	(480,365)
Current portion of long-term debt	(69,950)

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Capital assets	2,649,381
Accumulated depreciation	<u>(926,061)</u>

Total Net Assets - Governmental Activities	<u>\$</u>	<u>1,640,644</u>
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The accompanying notes are a part of the financial statements.

St. James Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2008

	General	Road	Fire	Nonmajor Funds	Total
Revenues:					
Property taxes	\$ 176,013	\$ 84,371	\$ 42,201	\$ -	\$ 302,585
Special assessment	-	-	-	43,275	43,275
Administrative fees	20,305	-	-	-	20,305
State shared revenue	27,060	-	-	1,800	28,860
Contributions from governmental units	51,519	-	42,949	-	94,468
Local contributions	-	-	1,200	-	1,200
Charges for services	5,748	-	-	-	5,748
Licenses and permits	3,149	-	-	-	3,149
Reimbursements	7,733	-	6,040	-	13,773
Interest	774	604	567	-	1,945
Other	698	-	285	-	983
Total revenues	292,999	84,975	93,242	45,075	516,291
Expenditures:					
Current:					
Legislative	56,876	-	-	-	56,876
General government	100,091	-	-	-	100,091
Community & economic development	4,257	-	-	-	4,257
Public safety	4,630	-	81,837	-	86,467
Public works	8,365	12,593	-	-	20,958
Recreation and culture	86,435	-	-	-	86,435
Capital outlay	24,619	-	33,355	-	57,974
Debt service:					
Principal	-	-	-	60,000	60,000
Interest	-	4,298	-	20,350	24,648
Total expenditures	285,273	16,891	115,192	80,350	497,706
Excess of Revenues over (under) Expenditures	7,726	68,084	(21,950)	(35,275)	18,585
Fund Balances - April 1, 2007	161,958	76,744	127,400	82,952	449,054
Fund Balances - March 31, 2008	<u>\$ 169,684</u>	<u>\$ 144,828</u>	<u>\$ 105,450</u>	<u>\$ 47,677</u>	<u>\$ 467,639</u>

The accompanying notes are a part of the financial statements.

St. James Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 18,585
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays and intangible assets
as expenditures in the statement of activities. These costs are
allocated over their estimated useful lives as depreciation or
amortization.

Depreciation Expense	(84,013)
Capital Outlay	57,974

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long-term debt)

60,000

Changes in Net Assets - Governmental Activities	<u>\$ 52,546</u>
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The accompanying notes are a part of the financial statements.

St. James Township

Proprietary Fund Statement of Net Assets March 31, 2008

<u>Assets</u>	<u>Yacht Dock</u>	<u>Sewer</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 37,984	\$ 6,792	\$ 44,776
Accounts receivable	-	6,559	6,559
Total current assets	37,984	13,351	51,335
Noncurrent Assets			
Capital assets	994,733	-	994,733
Less accumulated depreciation	(156,355)	-	(156,355)
Total noncurrent assets	838,378	-	838,378
Total assets	<u>\$ 876,362</u>	<u>\$ 13,351</u>	<u>\$ 889,713</u>
<u>Net Assets</u>			
Net Assets:			
Invested in capital assets	838,378	-	838,378
Fund balance - undesignated	37,984	13,351	51,335
Total net assets	<u>\$ 876,362</u>	<u>\$ 13,351</u>	<u>\$ 889,713</u>

The accompanying notes are a part of the financial statements.

St. James Township

Proprietary Fund

Statement of Revenues, Expenditures and Changes in Fund Balance For The Year Ended March 31, 2008

	<u>Yacht Dock</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 51,067	\$ 9,163	\$ 60,230
Other	<u>2,223</u>	<u>-</u>	<u>2,223</u>
Total operating revenues	53,290	9,163	62,453
Operating Expenses			
Salaries and wages	36,768	5,636	42,404
Payroll taxes	507	440	947
Insurance	3,132	-	3,132
Utilities	8,050	755	8,805
Repairs and maintenance	4,097	5,499	9,596
Licenses and permits	-	1,500	1,500
Property taxes	4,544	-	4,544
Supplies	<u>1,977</u>	<u>-</u>	<u>1,977</u>
Total operating expenditures	<u>59,075</u>	<u>13,830</u>	<u>72,905</u>
Total operating loss before depreciation	(5,785)	(4,667)	(10,452)
Depreciation expense	<u>(39,328)</u>	<u>-</u>	<u>(39,328)</u>
Total operating income (loss)	(45,113)	(4,667)	(49,780)
Nonoperating Revenue			
Interest income	<u>444</u>	<u>102</u>	<u>546</u>
Change in Net Assets	(44,669)	(4,565)	(49,234)
Net Assets - April 1, 2007	<u>921,031</u>	<u>17,916</u>	<u>938,947</u>
Net Assets - March 31, 2008	<u><u>\$ 876,362</u></u>	<u><u>\$ 13,351</u></u>	<u><u>\$ 889,713</u></u>

The accompanying notes are a part of the financial statements.

St. James Township

Proprietary Fund Statement of Cash Flows For The Year Ended March 31, 2008

	Yacht Dock	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Fees and services	\$ 53,290	\$ 2,604	\$ 55,894
Payments for goods and services	(59,075)	(13,830)	(72,905)
Net cash used by operating activities	(5,785)	(11,226)	(17,011)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	444	102	546
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,341)	(11,124)	(16,465)
CASH AND CASH EQUIVALENTS, April 1, 2007	43,325	17,916	61,241
CASH AND CASH EQUIVALENTS, March 31, 2008	<u>\$ 37,984</u>	<u>\$ 6,792</u>	<u>\$ 44,776</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:			
Unrestricted	<u>\$ 37,984</u>	<u>\$ 6,792</u>	<u>\$ 44,776</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (45,113)	\$ (4,667)	\$ (49,780)
Depreciation	39,328	-	39,328
Adjustments to reconcile operating loss to net cash used by operating activities,			
Increase in accounts receivable	-	(6,559)	(6,559)
Net cash used by operating activities	<u>\$ (5,785)</u>	<u>\$ (11,226)</u>	<u>\$ (17,011)</u>

The accompanying notes are a part of the financial statements.

St. James Township

Fiduciary Fund Statement of Net Assets March 31, 2008

Assets

Cash

\$ 15

Liabilities

Due to other funds

\$ 15

The accompanying notes are a part of the financial statements.

St. James Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2008

Additions:

Property Tax Collections for:	
Primary Government	\$ 1,089,657
Other Governments	12,107,378
Component Unit	20,425
Interest Income	17,780
	<hr/>
Total Additions	13,235,240
	<hr/>

Deductions:

Property Tax Distributions for:	
Primary Government	1,107,437
Other Governments	12,107,378
Component Unit	20,425
	<hr/>
Total Distributions	13,235,240
	<hr/>

Change in Net Assets	-
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Fiduciary Net Assets - April 1, 2007	<hr/> -
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Fiduciary Net Assets - March 31, 2008	<hr/> \$ - <hr/>
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The accompanying notes are a part of the financial statements.

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. James Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the St. James Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has blended component units.

Blended Component Units

Peaine and St. James Townships are the two townships on Beaver Island. These townships support the below-listed common facilities on a 50-50 basis. The facilities supported are controlled by and blended in the comprehensive financial statements of:

PEAINE TOWNSHIP

Beaver Island Waste Management Fund
Emergency Medical Services Fund
Beaver Island Airport Fund

ST. JAMES TOWNSHIP

Beaver Island Fire Department Fund
Cemetery Fund

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

The Beaver Island Yacht Dock is also operated jointly and controlled by St. James Township. Revenues were sufficient to support the yacht dock operations for the year ended March 31, 2008. Operating deficiencies are shared on the following basis:

	<u>PEAINE TOWNSHIP</u>	<u>ST. JAMES TOWNSHIP</u>
Yacht Dock	33 1/3 pct.	66 2/3 pct.

Financial statements for those funds that are controlled by Peaine Township may be obtained by contacting Peaine Township on Beaver Island, Michigan.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenues Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

The Township reports the following major proprietary funds:

Sewer Fund – The Sewer Fund accounts for the activities of the sewage collection system.

Yacht Dock Fund – The Yacht Dock Fund accounts for the activities of the yacht dock.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash is comprised of the amount of funds in bank accounts.

Cash Equivalents consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Land Improvements	20 years
Infrastructure	40 years
Buildings and Improvements	40 years
Equipment	5 years

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

Long-term Obligations

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

As of March 31, 2008, the Township had \$550,315 of outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing is conducted to obtain taxpayer comments.

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. St. James Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township incurred expenditures in the General and Fire Fund in excess of the amounts appropriated, as follows:

Fund/Function	Original Budget	Final Budget	Actual	Variance
General Fund	\$ 242,856	\$ 242,856	\$ 285,273	\$ 42,417
Fire Fund	83,544	83,544	115,192	31,648

Accumulated Fund Deficits

The St. James Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2008.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

Cash and Cash Equivalents – At March 31, 2008, the carrying amounts of the Township's cash and cash equivalents were \$457,020.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$368,705 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$88,315 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 28. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

The tax rates for the year ended March 31, 2008 were as follows:

<u>PURPOSE</u>	<u>RATE/ ASSESSED VALUATION</u>
Operations:	
General Operations (Allocated)	.9275 per \$1000
General Operations (Voted)	3.0147 per \$1000
Waste Transfer Station	1.6232 per \$1000
Medical Center	1.9526 per \$1000
Roads	1.9526 per \$1000
Airport	.9275 per \$1000
Fire Protection	.9763 per \$1000
EMS	.6618 per \$1000
Historical Society	.2500 per \$1000

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows

	Balance of April 1, 2007	Additions	Disposal	Balance of March 31, 2008
Capital assets				
Infrastructure				
Solely Owned	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000
Land and Improvements				
Solely Owned	83,836	-	-	83,836
Jointly Owned (100% of assets)	320,651	50,757	-	371,408
Total Land and Improvements	404,487	50,757	-	455,244
Buildings and Improvements				
Solely Owned	61,057	-	-	61,057
Jointly Owned (100% of assets)	309,723	86,526	-	396,249
Total Buildings and Improvements	370,780	86,526	-	457,306
Equipment and Furniture				
Solely Owned	111,814	-	-	111,814
Jointly Owned (100% of assets)	283,376	91,641	-	375,017
Total Equipment and Furniture	395,190	91,641	-	486,831
Total Capital Assets	2,420,457	228,924	-	2,649,381
Less: Accumulated Depreciation:	(842,048)	(84,013)	-	(926,061)
Net Capital Assets	\$ 1,578,409	\$ 144,911	\$ -	\$ 1,723,320

Depreciation expense was charged to the Township's functions as follows:

General Government	25,204
Public Safety	33,605
Public Works	8,401
Recreation & Culture	16,803
	<u>\$ 84,013</u>

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

Capital asset activity of the proprietary funds for the current year was as follows:

	Balance of April 1, 2007	Additions	Disposal	Balance of March 31, 2008
Capital assets				
Buildings and Improvements				
Jointly Owned	\$ 994,733	\$ -	\$ -	\$ 994,733
Less: Accumulated Depreciation:	(117,027)	(39,328)	-	(156,355)
Net Capital Assets	\$ 877,706	(39,328)	\$ -	\$ 838,378

NOTE 6 – LONG-TERM OBLIGATIONS

A summary of long-term obligations at March 31, 2008, and transactions related thereto for the year then ended as follows:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008
Notes Payable:				
\$175,000 bank installment contract due in quarterly installments of \$4,410 including interest of 5.0 percent per annum Charlevoix State Bank through December 2011	\$ 73,713	\$ -	\$ 14,398	\$ 59,315
\$251,000 governmental obligation bond payable in annual installments of \$20,000 - \$25,000 through July, 2015, plus interest of 4.5 percent per annum Charlevoix State Bank	211,000	-	20,000	191,000
\$500,000, special assessment unlimited tax bonds, due in annual installments of \$35,000 - \$40,000 through April 1, 2016, plus interest of 3.45 – 5.25 percent per annum Charlevoix State Bank	325,000	-	25,000	300,000
	<u>\$ 609,713</u>	<u>\$ -</u>	<u>\$ 59,398</u>	<u>\$ 550,315</u>

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

The annual principal requirements for the years ending thereafter are as follows:

Year ended March 31	General Long-Term Obligations
2009	\$ 69,950
2010	75,712
2011	76,513
2012	77,138
2013	66,000
2014 and thereafter	185,002
Total	\$ 550,315

NOTE 7 – RECEIVABLES AND PAYABLES

Receivables for the primary government at March 31, 2008 are as follows:

	General Fund	Trust and Agency Fund
Interfund Receivable	\$ 15	\$ -
Interfund Payable	-	15
	\$ 15	\$ 15

NOTE 8 – PENSION PLAN

Elected members of the Township Board are eligible to participate in the St. James Township Pension Plan administered by Municipal Underwriters Insurance Company, a defined contribution plan. There are no unfunded liabilities. The Township is required to contribute 5 percent of each participant's annual compensation. Participant contributions are not required, but voluntary non-deductible contributions are allowed. Retirement expense totaled \$6,970 for the year based on eligible wages. Total payroll expense for all funds for the year ended March 31, 2008 was \$148,533.

NOTE 9 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The Fire Fund has \$105,450 designated for public safety.

The Road Fund has \$144,828 designated for public works.

The Liquor Fund has \$3,300 designated for public safety.

The Debt Service Fund has \$44,377 designated for debt service.

St. James Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 10 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

St. James Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes:				
Property taxes	\$ 163,707	\$ 163,707	\$ 176,013	\$ 12,306
Administrative fees	16,371	16,371	20,305	3,934
State revenues:				
State shared revenues	12,000	12,000	27,060	15,060
Contributions from governmental units	66,303	66,303	51,519	(14,784)
Charges for services	6,748	6,748	5,748	(1,000)
Licenses and permits	5,000	5,000	3,149	(1,851)
Reimbursements	44,161	44,161	7,733	(36,428)
Interest	6,000	6,000	774	(5,226)
Other income	285	285	698	413
Total revenues	320,575	320,575	292,999	(27,576)
Expenditures:				
Legislative				
Township Board				
Salaries	8,264	8,264	8,264	-
Payroll taxes	7,000	7,000	1,284	5,716
Pension	10,000	10,000	6,960	3,040
Professional services	5,000	5,000	4,251	749
Printing and publications	-	-	1,539	(1,539)
Insurance	16,000	16,000	20,662	(4,662)
Travel	-	-	231	(231)
Other expenses	3,000	3,000	13,685	(10,685)
Total legislative	49,264	49,264	56,876	(7,612)
General Government				
Township Supervisor				
Salary	13,946	13,946	13,909	37
Clerical	900	900	900	-
Total township supervisor	14,846	14,846	14,809	37
Township Clerk				
Salary	15,185	15,185	15,145	40
Wages, deputy clerk	1,200	1,200	1,200	-
Supplies	1,500	1,500	1,470	30
Total township clerk	17,885	17,885	17,815	70

St. James Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Township Treasurer				
Salary	13,946	13,946	13,946	-
Wages, deputy treasurer	1,320	1,320	1,320	-
Supplies	-	-	7,730	(7,730)
Total township treasurer	15,266	15,266	22,996	(7,730)
Township Assessor				
Salary	20,123	20,123	20,069	54
Supplies	1,000	1,000	2,544	(1,544)
Total township assessor	21,123	21,123	22,613	(1,490)
Township Board of Review	900	900	1,043	(143)
Elections	500	500	2,261	(1,761)
Building and Grounds				
Utilities	4,500	4,500	6,422	(1,922)
Waste and snow removal	2,748	2,748	1,163	1,585
Repairs and maintenance	1,800	1,800	8,272	(6,472)
Other expenses	3,000	3,000	2,697	303
Total building & grounds	12,048	12,048	18,554	(6,506)
Total General Government	82,568	82,568	100,091	(17,523)
Community and Economic Development				
Planning and Zoning				
Wages	3,500	4,700	3,430	1,270
Supplies	-	-	827	(827)
Total community and economic development	4,700	4,700	4,257	443
Public Safety				
Police	-	-	4,630	(4,630)
Public Works				
Street lighting	-	-	8,365	(8,365)

St. James Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation and Culture				
Salaries and wages	27,392	27,392	6,214	21,178
Repairs and maintenance	23,000	23,000	62,300	(39,300)
Supplies	8,000	8,000	13,251	(5,251)
Utilities	-	-	4,133	(4,133)
Other expenses	-	-	537	(537)
Total recreation and culture	58,392	58,392	86,435	(28,043)
Capital Outlay	47,932	47,932	24,619	23,313
Total expenditures	242,856	242,856	285,273	(42,417)
Excess of Revenues over (under) Expenditures	77,719	77,719	7,726	(69,993)
Fund Balance - April 1, 2007	161,958	161,958	161,958	-
Fund Balance - March 31, 2008	<u>\$ 239,677</u>	<u>\$ 239,677</u>	<u>\$ 169,684</u>	<u>\$ (69,993)</u>

St. James Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Road Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 81,043	\$ 81,043	\$ 84,371	\$ 3,328
Interest income	-	-	604	604
Total revenues	81,043	81,043	84,975	3,932
Expenditures:				
Public Works				
Road repairs and improvements	61,043	61,043	12,593	48,450
Debt Service:				
Interest expense	20,000	20,000	4,298	15,702
Total expenditures	81,043	81,043	16,891	64,152
Excess of Revenues over Expenditures	-	-	68,084	68,084
Fund Balance - April 1, 2007	90,341	90,341	76,744	13,597
Fund Balance - March 31, 2008	<u>\$ 90,341</u>	<u>\$ 90,341</u>	<u>\$ 144,828</u>	<u>\$ 54,487</u>

St. James Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Fire Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 81,044	\$ 81,044	\$ 42,201	\$ (38,843)
Contributions from governmental units	-	-	42,949	42,949
Local contributions	-	-	1,200	1,200
Reimbursements	-	-	6,040	6,040
Interest income	-	-	567	567
Other income	2,500	2,500	285	(2,215)
Total revenues	83,544	83,544	93,242	9,698
Expenditures:				
Public Safety				
Wages	10,000	10,000	6,661	3,339
Insurance	25,000	25,000	382	24,618
Repairs and maintenance	5,000	5,000	601	4,399
Supplies	6,000	6,000	5,537	463
Utilities	14,000	14,000	-	14,000
Other fire department expenses	23,544	23,544	68,656	(45,112)
Total public safety	83,544	83,544	81,837	1,707
Capital Outlay	-	-	33,355	(33,355)
Total expenditures	83,544	83,544	115,192	(31,648)
Excess of Revenues under Expenditures	-	-	(21,950)	(21,950)
Fund Balance - April 1, 2007	127,400	127,400	127,400	-
Fund Balance - March 31, 2008	\$ 127,400	\$ 127,400	\$ 105,450	\$ (21,950)

St. James Township

Other Supplementary Information Balance Sheet Nonmajor Funds March 31, 2008

<u>Assets</u>	<u>Debt Service</u>	<u>Liquor Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 23,781	\$ 3,300	\$ 27,081
Taxes receivable	<u>20,596</u>	<u>-</u>	<u>20,596</u>
Total assets	<u><u>\$ 44,377</u></u>	<u><u>\$ 3,300</u></u>	<u><u>\$ 47,677</u></u>
<u>Fund Balances</u>			
Fund Balances:			
Unreserved	<u><u>\$ 44,377</u></u>	<u><u>\$ 3,300</u></u>	<u><u>\$ 47,677</u></u>

St. James Township

Other Supplemental Information Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Funds For The Year Ended March 31, 2008

	Debt Service	Liquor Fund	Total
Revenues:			
Special assessment	\$ 43,275	\$ -	\$ 43,275
State shared revenues	-	1,800	1,800
Reimbursements	-	-	-
Total revenues	43,275	1,800	45,075
Debt Service:			
Principal	60,000	-	60,000
Interest	20,350	-	20,350
Total expenditures	80,350	-	80,350
Excess of Revenues over (under) Expenditures	(37,075)	1,800	(35,275)
Fund Balance - April 1, 2007	81,452	1,500	82,952
Fund Balance - March 31, 2008	<u>\$ 44,377</u>	<u>\$ 3,300</u>	<u>\$ 47,677</u>

St. James Township

Statement of Tax Levy and Collections March 31, 2008

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
Charlevoix County	4.5288	\$196,329	\$179,377	\$16,952
Seniors	0.3853	16,703	14,148	2,555
Medical Care Facility	1.2864	55,767	47,238	8,529
County Transit	0.2408	10,439	8,842	1,597
Recycle	0.1444	6,260	5,303	957
Beaver Island Public School	17.7908	611,511	522,790	88,721
Char-Emmet ISD	2.7395	118,761	100,194	18,567
Beaver Island District Library	0.9000	39,016	33,888	5,128
Beaver Island Medical Center	1.9526	84,648	72,087	12,561
Beaver Island EMS	0.6618	28,690	24,164	4,526
Beaver Island Historical Society	0.2500	10,838	9,160	1,678
SET	6.0000	259,121	237,654	21,467
Township:				
General Allocated	0.9275	40,208	33,960	6,248
General Voted	3.0147	130,691	121,354	9,337
Fire	0.9763	42,324	36,543	5,781
Roads	1.9526	84,648	73,088	11,560
Airport	0.9275	40,208	34,714	5,494
Waster Transfer	1.6232	70,368	61,031	9,337
Tax Collection Fee	-	18,792	18,792	-
Total	<u>46.3022</u>	<u>\$1,865,322</u>	<u>\$1,634,327</u>	<u>\$230,995</u>
Percent of Levy Collected	<u>87.62%</u>			

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

June 27, 2008

To the Board of Trustees
St James Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St James Township for the year ended March 31, 2008, and have issued our report thereon June 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St James Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 27, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require us to report to you significant audit findings or issues. Following are the significant findings we noted during our audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of St. James Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- St. James Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principals, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally we have presented other matters for your consideration in the same letter dated June 27, 2008.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of St James Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mason & Kammermann PC", with a stylized flourish at the end.

Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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Charlevoix, Michigan 49720
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Facsimile (231) 547-5911

June 27, 2008

To the Township Board
St James Township
Beaver Island, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St James Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered St James Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

Budgeting


Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2008, St. James incurred expenditures that exceeded the amount appropriated for the General Fund and the Fire Fund, as shown in the body of the financial statements.

We suggest that the Board on a periodic basis, review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

St James Township
June 27, 2008
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This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Mason & Kammermann PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.
Certified Public Accountants